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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000044

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DEPARTMENT FOR SA, SA/INS, S/CT  
NSC FOR E. MILLARD

E.O. 12958: DECL: 01/09/14

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SUBJECT: AMBASSADOR DISCUSSED POLITICAL SITUATION WITH  
MILINDA MORAGODA: DOES THE PM WANT A DEAL?

CLASSIFIED BY AMBASSADOR JEFFREY J. LUNSTEAD. REASONS 1.5  
B, D.

REF: Colombo 0032

1. (C) SUMMARY: Milinda Moragoda says it is not clear if the PM wants a deal with the President, or a confrontation. The Indians continue to try to work the issue. Milinda sees proposed Tokyo co-chairs meeting as a way to keep attention focussed on Sri Lanka, but thinks outcome needs to be carefully managed. Milinda is aware that public opinion in Sri Lanka can change quickly and is concerned that the PM stick to the moral high ground. END SUMMARY.

A Deal or Not?  
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2. (C) Ambassador on Jan 9 called on Milinda Moragoda, just recently back from his visit to Washington, Norway and Brussels. Ambassador described his meeting with President Kumaratunga (CBK) at which he handed over Secretary Powell's letter, noting that CBK at first said

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she could not compromise any further with President, but at end admitted she might have some wiggle room. Ambassador said he believed CBK would not take a deal in which she retained the Defense Minister title but handed over all powers to the PM; she might take a deal under which she gazetted some powers.

3. (C) Milinda said that Indian High Commissioner Nirupam Sen was continuing to work this issue, still pushing the idea of setting up theater commands which the PM would control. Milinda then said: "I have to talk to the PM to see if he really wants a deal or not." Ninety-five percent of the Parliamentary group want a deal, but five percent are hardliners who want a confrontation.

Co-chairs Meeting  
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4. (C) Milinda asked if the proposed co-chairs meeting was now set, and Ambassador replied he believed invites would go out shortly. Milinda said he believed the meeting would have two possible functions, depending on the movement in the political situation. If the impasse were resolved by that time, it could chart a way forward on assistance and re-emphasize the need for sticking to the economic reform program. If not resolved, it could serve to keep donor attention focussed on Sri Lanka. Ambassador noted that some donors seemed to want to release aid to the North and East, as the perception was that it was now the Government that was holding up the peace process. Milinda looked discomfited, and said there would have to be some balance about assistance to the South. (Comment: Both Japanese Ambassador Suda and Netherlands Ambassador Blankhart--just taken over for the EU Presidency--appear adamant about holding back on assistance in the South.)

5. (C) Milinda said that he had briefed the Cabinet on Thursday, telling them that a Co-chairs meeting would "probably happen." This meant that news of the meeting would almost certainly appear in this Sunday's newspapers. What should he say when the press asked him about this, Milinda said. Could the US issue a statement about the meeting? Ambassador replied since the invitations to the meeting were just going out, it was unlikely we would issue a statement before replies had been received.

6. (C) Milinda said that he was confused himself about the Prime Minister's public comments about the cease-fire agreement (reftel). Ambassador noted that the statement did not seem to have played well, as many Sri Lankans seemed to view it as the PM playing politics with the peace process. Ambassador and Milinda then discussed the prior day's meeting of the Joint Business Forum (Sri Lanka's apex private sector organization), at which some 300 CEO's had angrily protested at the lack of progress on resolving the political crisis. Milinda said he was

trying to convince the PM that he had to keep the moral high ground.

17. (C) COMMENT: Milinda's question about whether or not the PM really wants a deal is telling. The signals are mixed, and the PM is clearly receiving conflicting advice. His dislike and distrust for the President are probably driving him towards a confrontation. On the other side public pressure is strongly in favor of compromise.

LUNSTEAD